

U.S. GOVERNMENT
LEASE FOR REAL PROPERTY

DATE OF LEASE:
SEP 27 2006

LEASE No. GS-11B-01934

THIS LEASE, made and entered into this date between **Potomac North, LLC**
whose address is **c/o The JBG Companies**
4445 Willard Avenue, Suite 400
Chevy Chase, MD, 20815

and whose interest in the property hereinafter described is that of OWNER, hereinafter called the LESSOR, and the UNITED STATES OF AMERICA, hereinafter called the Government.

WITNESSETH: The parties hereto for the considerations hereinafter mentioned, covenant and agree as follows:

1. The Lessor hereby leases to the Government the following described premises:

A total of 403,847 BOMA Rentable Square Feet (BRSF) (yielding 367,983 ANSI/BOMA Office Area Square Feet (BOASF)) and consisting of 41,176 BRSF (38,230 BOASF) located on the entire 1st floor, 44,114 BRSF (39,994 BOASF) located on the entire 2nd floor, 45,973 BRSF (41,820 BOASF) located on each of the entire 3rd and 4th floors, 45,917 BRSF (41,765 BOASF) located on each of the entire 5th, 6th and 7th floors, 45,653 BRSF (41,521 BOASF) located on the entire 8th floor, and 43,207 BRSF (39,303 BOASF) located on a portion of the 9th floor, in the building known as Potomac Center North, located at 500 12th Street, S.W., Washington, DC, 20024 to be used for SUCH OFFICE AND RELATED PURPOSES AS DETERMINED BY THE GOVERNMENT (See Exhibit A - Floor plans of leased premises). The Federal Government shall be the only tenant in the building, except retail provided in accordance with the SFO.

2. TO HAVE AND TO HOLD the said premises with their appurtenances for the term commencing in accordance with the terms of the Solicitation for Offers SFO # 06-011 (SFO), including SFO paragraphs 1.7 and 3.17, and General Clauses 12 and 20, and continuing for 10 years from the commencement date. The required occupancy date shall be established in accordance with the project schedule in Exhibit C attached hereto.

3. The Government shall pay the Lessor annual rent of \$16,261,168.77 (\$44.19/BOASF) at the rate of (b) (4) per month in arrears. Rent for a lesser period shall be prorated. Rent checks shall be made payable to: **Potomac North, L.L.C.**, c/o The JBG Companies, 4445 Willard Avenue, Suite 400, Chevy Chase, MD 20815, or in accordance with the provision on electronic payment of funds. Notwithstanding the foregoing, the Government shall be entitled to abatement of rent in the total amount of (b) (4), applied as follows: (a) rent for the first six (6) full months of the lease term (inclusive of operating costs and amortization of the tenant improvement allowance) in the total amount of (b) (4) shall be abated entirely as indicated in SFO Attachment #1; and (b) a portion of the monthly shell rent shall be partially abated during the 7th, 8th, and 9th full months of the lease term, in equal monthly amounts of (b) (4), for a total amount of (b) (4) as more fully set forth in paragraph 6(C) below.

4. The Government may terminate this lease effective at any time after the eighth year of the lease term by giving at least 365 days notice in writing to Lessor. Said notice shall be computed commencing with the day after the date of mailing. No rental shall accrue after the effective date of termination, except that on or before the effective date of termination, the Government shall reimburse Lessor for the amount of any amortization of tenant improvements and leasing commissions that remain unrecaptured as of the effective date of termination in accordance with Termination Fee Schedule attached hereto as Exhibit B.

5. (Intentionally Deleted)

(b) (6)

6. The Lessor shall furnish to the Government, as part of the rental consideration, the following:

A. All services, utilities, alterations, repairs, and maintenance, as well as any other right and privilege stipulated by this Lease, the SFO and its Attachments, are included in the rent.

B. The Lessor shall provide to the Government a Tenant Improvement Allowance in the amount of (b) (4). Such Allowance shall be available in full immediately upon execution of this Lease, but shall be held by the Lessor until directed by the Government on how the disbursement of funds shall occur. The Government shall have the full latitude to direct disbursement of funds in accordance with the SFO and/or to offset the Government's rental obligation to the Lessor. This Tenant Improvement Allowance is included in the rent, with the (b) (4) over the ten-year Lease term. If the Government does not utilize the entire Tenant Improvement Allowance included in the rent, the rent shall be adjusted downward using the (b) (4) amortization rate. A mutually agreed upon Supplemental Lease Agreement will be executed upon the Government's acceptance of the space as substantially complete that finalizes the rent using the final Tenant Improvement allowance utilized. The actual cost of the Tenant Improvements will be determined by the competition and cost proposal process as set forth in Paragraph 1.11 "Tenant Improvement Rental Adjustment" and Paragraph 3.2 "Tenant Improvements Prior to the Government's Initial Acceptance of Space," with the understanding that bidding shall take place at the trade/subcontractor level. Any work items provided by the General Contractor, or for which there is not adequate competition at the trade/subcontractor level, shall be subject to the Government's review of cost and pricing data.

C. A Brokerage Commission and Commission Credit of (b) (4) is due and payable as follows: \$2,247,700.06 is due to Studley, Inc. upon an award of this Lease and payable within 30 days of the receipt of an invoice. The remaining amount of (b) (4) is the Commission Credit and shall be paid as free rent, applied against the shell rent, in equal monthly installments of (b) (4) each during the 7th, 8th, and 9th full months of the lease.

D. For purposes of Paragraph 3.4(F) and 3.5 of the SFO, as of the date hereof, the Government's percentage of occupancy is 81.22 %, based on occupancy of 403,847 BRSF in a building of 497,196 BRSF. Evidence of payment of taxes shall be furnished as provided by Paragraph 3.4(D) of the SFO.

E. For purposes of Paragraphs 3.6 and 3.7 of the SFO, as of the date hereof, the operating cost base is (b) (4).

F. Pursuant to Paragraph 3.10 "Common Area Factor", the Add-On Factor is determined to be 1.097461024, calculated as follows: 403,847 BRSF/367,983 BOASF.

G. In connection with the buildout of tenant improvements, the following limits on markups shall apply to both the initial tenant improvements and change orders: Offeror's General Contractor's fee shall not exceed (b) (4), Lessor's overhead and profit shall not exceed (b) (4) and architectural/engineering cost shall not exceed (b) (4). There shall be no mark up or other charge for general conditions. The combined markup shall not exceed (b) (4). These markups are all subject to the right of the Government to reasonably negotiate individual markups based upon the actual scope of work of the requirement.

H. The space shall be available for the commencement of tenant improvements at award. The Lessor shall design, construct, and complete all initial tenant improvements in the leased premises and deliver the space for occupancy by the Government in accordance with the agreed Project Schedule attached hereto as Exhibit C. The start date for the initial task shall commence upon the full execution of this Lease. The start dates for all subsequent tasks/events, including the acceptance of space by the Government, shall adjust accordingly with the durations for each task/event remaining the same.

I. Pursuant to paragraph 7.2 of the SFO, services, utilities, and maintenance shall be provided daily, extending from 7:00 am to 6:00 pm, Monday through Friday, excluding Saturdays, Sundays and federal holidays. Beyond the aforementioned hours, the overtime HVAC service rate shall be \$50.00 per hour per floor, with a four hour minimum for weekend or federal holiday overtime usage. These charges are inclusive of all labor, maintenance, and service fees. This rate shall escalate in a manner consistent with section 3.6 "Operating Costs in the SFO." Notwithstanding the hours of HVAC service, the Government shall have access to the leased space and appurtenant areas at all times without additional payment, including the use, during other than normal hours, of necessary services and utilities such as elevators, toilets, lights, and electric power.

J. Pursuant to paragraph 7.6(A) of the SFO, the additional cost per BOASF to convert after-hours cleaning to daytime cleaning is \$0.65 per BOASF.

(b) (6)

K. The adjustment to the rent for space previously occupied by the Government and then vacated is \$0.90 per BOASF for one half floor up to one full floor of vacant space, \$1.10 per BOASF for one full floor or more of vacant space and \$4.00 per BOASF in the event that the entire building is vacated.

L. Pursuant to Paragraph 9.6 of the SFO, the Government has full security control over all parking areas, surface or structured. During the term of the lease, the Government, including authorized Government employees, may lease up to 289 parking spaces in the building's garage at initial annual rates of \$2,280.00 for non-reserved spaces and \$4,560.00 for reserved spaces, which rates shall escalate annually commencing with the second year of the lease term at a rate of 3% per year. In addition, at any time during the term of the Lease, provided that all of the office space in the building has been leased by the Government, whether under one or more leases, the Government may elect, by written notice to Lessor, that it will lease the entirety of the garage, consisting of 356 parking spaces, effective on the commencement of the first day of the first month following the notice, at an initial annual rental to be mutually agreed to and not to exceed (b) (4) (inclusive of operating expenses and taxes, adjustments, charges, or assessments of any kind), which amount shall escalate annually commencing with the second year of the lease term at a rate of (b) (4). The election to lease the entire garage or portions thereof will be documented, by a separate operating agreement with the Lessor consistent with the terms set forth herein.

M. The Lessor shall not make any substitutions of key personnel set forth in the list attached as Attachment M to this SF 2 without the advanced written permission of the Government. Substitutions will only be permitted where the Lessor can demonstrate to the satisfaction of the Government that the proposed substitution has qualifications and experience equal to or greater than the individual being replaced.

N. Lessor shall ensure and provide as necessary at Lessor's expense, all Fire and Life Safety improvements of this SFO to ensure that the building meets all local and national codes, including NFPA 101. Without limiting the foregoing, Lessor agrees to make improvements specified as part of the Attachment #4 and as recommended by GSA fire safety review, including but not limited to the following:

- Lessor shall remove the exit sign at the bottom of Stair #1 that directs occupants through two doors leading to the building lobby.

All improvements must be made prior to the Government's acceptance of space.

O. Prior to occupancy, Lessor shall correct, at Lessor's sole cost and expense, all items identified as "non-compliant" in section 7(G) of this SF-2, and upon request by the Government, Lessor shall furnish, as its sole cost and expense, an updated seismic certification showing compliance with SFO Section 2.2 "Accessibility and Seismic Safety."

P. At the option of the Government, exercised by providing written notice to Lessor within six months following execution of this lease by the Government, Lessor shall, at its sole cost and expense, provide space and make all arrangements that are necessary to assure the operation of a deli in the building where the leased premises are located. Such deli shall be complete and operational within 14 months of such notification by the Government and shall remain in operation throughout the lease term. Once the amount of space needed to operate the deli is determined and if the deli is to be located on the first floor of the building, the parties will execute a Supplemental Lease Agreement amending the leased premises described in Paragraph 1 of this SF2 by deducting the deli space and substituting a corresponding amount of space located contiguous to the leased premises elsewhere in the building.

Q. The Government shall have the option, exercisable at any time within six months following execution of this lease by the Government, by written notice to the Lessor, to lease, under a separate lease ("Expansion Space Lease"), the remainder of the space in the building comprising approximately 93,349 BRSF (yielding 84,815 BOASF)(less any space dedicated to the on-site deli), and consisting of 2,375 BRSF (yielding 2,158 BOASF) located on a portion of the 9th floor, 43,864 BRSF (39,790 BOASF) located on the entirety of the 10th floor, 43,523 BRSF (39,455 BOASF) located on the entirety of the 11th floor, 3,122 BRSF (3,070 BOASF) located on a portion of the P2 level, and 465 BRSF (342 BOASF) located on a portion of the P1 level, on the same terms and conditions as set forth herein. Accordingly, the Expansion Space Lease shall provide for:

- a leased premises of 93,349 BRSF (yielding 84,815 BOASF) (adjusted as necessary for the on-site deli);
- an annual rent of \$3,747,974.85 (\$44.19/BOASF) payable at a rate of \$312,331.24 per month in arrears;
- a rental abatement of \$2,424,096.45 applied as follows: (a) rent for the first six (6) full months of the lease term (inclusive of operating costs and amortization of the tenant improvement allowance) in the total

(b) (6)

amount of \$1,873,987.44 shall be abated entirely as indicated in SFO Attachment #1; and (b) a portion of the monthly shell rent shall be partially abated during the 7th, 8th, and 9th full months of the lease term, in equal monthly amounts of \$183,369.67, for a total amount of \$550,109.01, to account for the Government's Commission Credit as set forth below;

- a Tenant Improvement Allowance of (b) (4)
- a Brokerage Commission and Commission Credit of (b) (4), which shall be due and payable as follows: (b) (4) is due to Studley, Inc. upon execution of the Expansion Space Lease by the Government and payable within 30 days of receipt of an invoice, and the remaining amount of (b) (4) is the Commission Credit and shall be paid as free rent in equal monthly installments of (b) (4) each during the 7th, 8th, and 9th full months of the Expansion Space Lease;
- an operating costs base of (b) (4)
- the Government's percentage of occupancy under the Expansion Space Lease shall be 18.78% of the total 497,196 BRSF in the building (adjusted as necessary for the on-site deli); and
- the parties shall confer and agree upon an mutually acceptable design and construction schedule consistent with SFO Paragraph 3.17 and providing for completion and full occupancy of the expansion space by the required occupancy date set forth in SFO Paragraph 1.7.

In the event of the exercise of the option, the leased premises for the Expansion Space Lease shall be adjusted as necessary to reflect the deduction of the deli space, if applicable.

R. In the event of a conflict between this SF2 and any other documents that comprise the Lease, the SF2 shall govern.

7. The following are attached and made a part hereof:

- A. Exhibit A - Floor Plans of the Leased Area, 10 pages
- B. Exhibit B - Termination Fee Schedule, 2 pages
- C. Exhibit C - Project Schedule, 2 pages
- D. Solicitation For Offers No. 06-011, 57 pages
- E. Attachment #1 to SFO, Rate Structure - 2 pages
- F. Attachment #4 Fire Life Safety Evaluation - 11 pages
- G. Seismic Certification, 9 pages
- H. Pre-Lease Building Security Plan, 11 pages
- I. GSA Form 1217, 1 page
- J. GSA Form 3517, 32 pages
- K. GSA Form 3518, 7 pages
- L. Small Business Subcontracting Plan, 16 pages
- M. List of Key Personnel, 1 page

(b) (6)

8. The following changes were made in this lease prior to its execution:
Paragraph 5 has been deleted in the entirety. Attachments #2 and #3 have been intentionally omitted.

IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their names as of the date first above written.

Lessor: **Potomac North, L.L.C., a Delaware limited liability company**

By: The Prudential Insurance Company of America, its Sole Member

By: Lynn deCastro, its Vice President

By: **(b) (6)**

IN **(b) (6)**
O **(b) (6)**
UNITED STATES OF AMERICA

ADDRESS

8 Campus Dr, Parsippany,
NJ 07054

BY **(b) (6)**
CONTRACTING OFFICER

(b) (6)

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TERMINATION FEE SCHEDULE

Per SFO 06-011, Paragraph 1.8, E (1.)^{f go}(~~g~~), the termination fee schedule is as follows:

<u>Months Remaining in Lease Term</u>	<u>Amount of Termination Fee</u>
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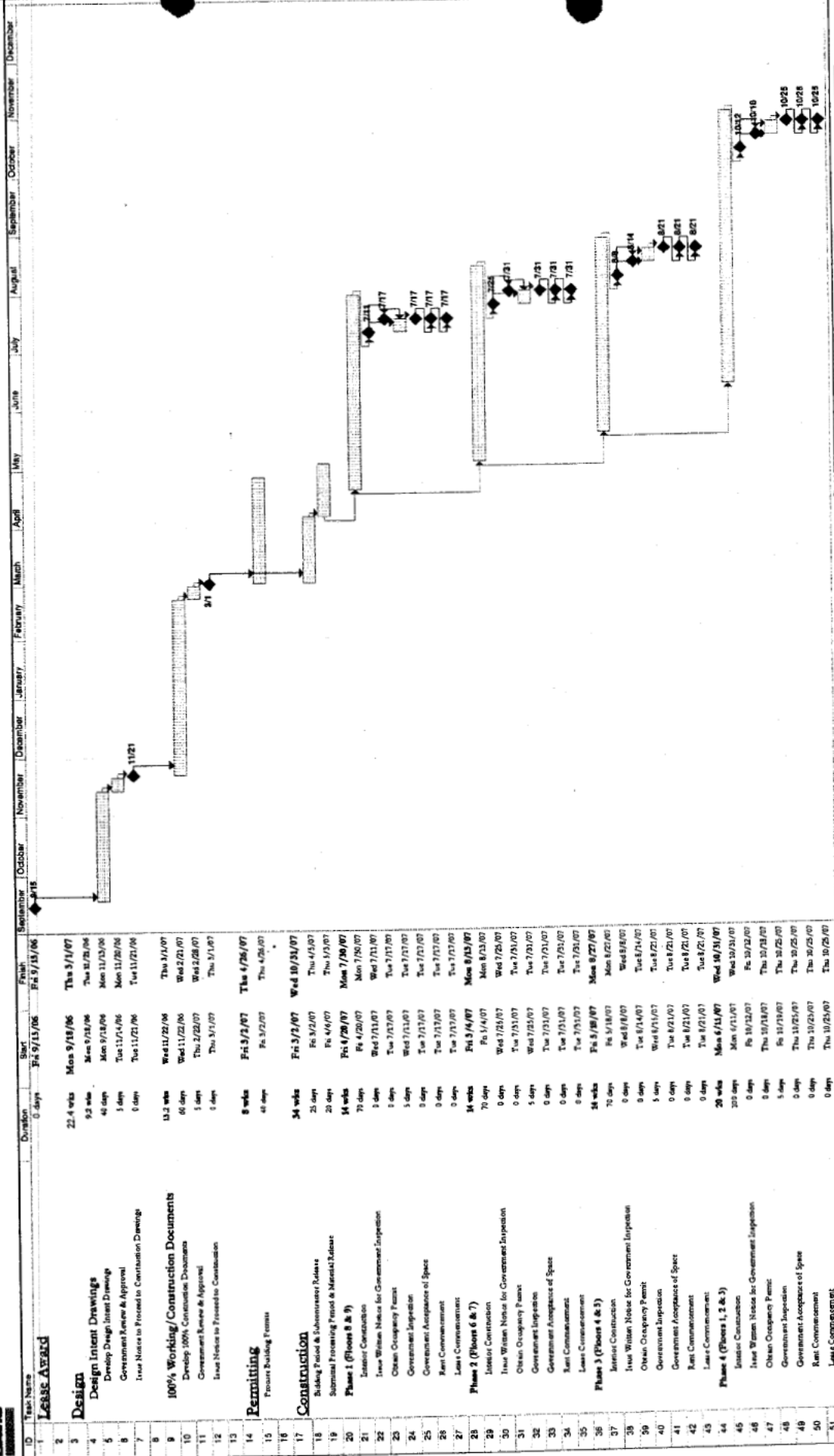
(b) (6)

In the event that the Expansion Option is exercised by the Government, the Expansion Space Lease shall include a separate termination fee schedule. In accordance with the SFO, such schedule shall state the reimbursement due Lessor for any amortization of tenant improvements and leasing commissions attributable to the Expansion Space Lease that remain unrecaptured as of the effective date of termination of the Expansion Space Lease.

(b) (6)



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(b) (6)